

Part 2A of Form ADV: Eaglewood Capital Management LLC - *Brochure*

Item 1 - Cover Page

March 31, 2014

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This Brochure provides information about the qualifications and business practices of Eaglewood Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 729-4688. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Eaglewood Capital Management LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about Eaglewood Capital Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 - Material Changes

Eaglewood Capital Management LLC (the “Adviser”) is a registrant with the SEC. The Adviser filed its initial “Brochure” with the United States Securities and Exchange Commission (“SEC”) on December 10, 2012, and an annual updating amendment on May 1, 2013. The Adviser is amending its Brochure to provide for the required annual update thereto, and this Item discusses only the material changes to the Adviser’s Brochure since that May 1, 2013 annual update.

The changes to the Brochure contained herein relate primarily to the following areas:

1. The inclusion in Item 4.B of a description of the investment strategy of a new investment fund managed by the Adviser called Eaglewood Small Business Fund LP (“Fund II”).
2. An update in Item 4.E to the aggregate discretionary assets managed by the Adviser.
3. The inclusion in Item 5.A of the management fees and carried interest charged by the Adviser and its affiliates.
4. An update to Item 5.E to include the fact that the Adviser or its affiliates may receive additional compensation with respect to certain activities.
5. An update to Item 8.A to include the investment strategy of Fund II.
6. An update to Items 8.B and C to include certain risk factors related to Fund II.
7. An update to Item 11 to disclose that the Adviser may provide credit facilities to the investment funds it manages.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures, or a copy of the entire Brochure (including a summary of material changes in this Item 2), within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Our Brochure may be requested by contacting Christopher Lewis, the Adviser’s Chief Compliance Officer, at (212) 729-1096.

Additional information about the Adviser is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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Item 4 - Advisory Business

- A. The Adviser is a Delaware limited liability company and has its principal place of business in New York, New York. The Adviser provides investment advisory services to (i) private investment funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions (the “Funds”); and (ii) separate accounts including high net worth individuals, certain retirement plans, trusts, partnerships, corporations, or other institutional clients and businesses (the “Separate Accounts” and, together with the Funds, the “Clients”).¹ The Adviser may also provide consulting services to third parties.

The Adviser was formed in 2011 by Jonathan Barlow (the “Principal”). The Principal controls the Adviser through his service as an appointed manager of the Adviser under the Adviser’s operating agreement, as well as through his control of the Barlow Family Trust, the majority owner of the Adviser.

- B. The Adviser generally seeks to manage investments in (i) unsecured consumer loans (including, in the case of Separate Accounts, securities evidencing interests in fractional interests therein), and (ii) secured and unsecured non-consumer loans, interests in such loans, and/or loans to originators of such loans (including loans originated by an affiliate of the Adviser); and, in the case of each of the foregoing by employing or retaining the option to employ leverage to enhance returns. The Adviser only provides investment advice with respect to these limited types of investments and related cash and hedging positions.
- C. While each of its Clients will follow one of the general strategies stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s confidential offering memorandum, limited partnership agreement and/or investment advisory agreement (as applicable) (referred to collectively as “Offering Documents”).

All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by the Adviser in connection with the management of the Clients are qualified in their entirety by reference to each Client’s respective Offering Documents.

- D. The Adviser does not participate in wrap fee programs.
- E. As of February 28, 2014, the Adviser managed approximately \$213,448,116 in discretionary assets (inclusive of undrawn capital commitments and assets leveraged from credit facilities) and \$0 in non-discretionary assets.

¹ As an SEC-registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis pursuant to side letters or otherwise.

Funds

1. Eaglewood Income Fund I, LP

Management Fees. For its services to the Funds, the Adviser is entitled to a management fee (the “Management Fee”) at the following annual rates: (i) 1.0% of the capital account balance of each investor holding a Founders Class interest and (ii) 1.5% of the capital account balance of each investor holding a Regular Class interest. The Management Fee is calculated and paid at the beginning of each month in advance. Capital contributions accepted after the commencement of a calendar month will be subject to the Management Fee as if such contributions had been received on the first day of such month.

Performance Allocation. The general partner of the Funds (the “General Partner”), which is an affiliate of the Adviser, is entitled to a performance-based profit allocation at the end of each calendar year equal to (i) 10% (subject to a 5% “hurdle rate”) of the net profits attributable to Founders Class interests and (ii) 15% (subject to a 5% “hurdle rate”) of the net profits attributable to Regular Class interests, but, in each case, only to the extent that such profits exceed the balance in such investor’s loss carry forward account.

Net profit includes unrealized appreciation or depreciation of marketable and non-marketable investments.

Withdrawals. Subject to certain withdrawal restrictions, Fund investors are permitted to make withdrawals at the end of each calendar quarter on 90 days’ prior written notice; provided that (i) no investor is entitled to make any withdrawal of its contribution to its capital account during the first year following such investor’s contribution to such capital account, (ii) an early withdrawal amount equal to 3% of the withdrawn amount will apply after year one through year two and (iii) an early withdrawal amount equal to 1% of the withdrawn amount will apply after year two through year three. Early withdrawal fees are not charged on the withdrawal of amounts from Founders Class interests.

Withdrawal requests may be subject to reserves for contingencies, suspension restrictions, liquidity restrictions, and hold-back pending audit as discussed further in each Fund’s Offering Documents.

2. Eaglewood Small Business Fund LP (“Fund II”)

Management Fees. The capital accounts of Fund II’s investors, other than affiliates of Fund II’s general partner, the Adviser as investment manager of Fund II (in such capacity, the “Management Company”), or their respective officers or employees, are charged a quarterly management fee in advance (the “Management Fee”), to be paid by Fund II to the Management Company, at a per annum rate of 2% of gross assets under management (including remaining uncalled capital commitments and leverage) with respect to each investment class of Fund II.

Preferred Return / GP “Catch Up”/ Carried Interest. Distributions, when made pursuant to the term of the Offering Documents, are generally made first to Fund’s II’s limited partners

until they receive aggregate distributions with respect to realized investments equal to their contributed capital with respect to such realized investments plus a preferred return thereon in an amount equal to 8% per annum, and then to Fund II's general partner, according to "catch up" formula so that it receives an amount equal to 20% of the aggregate preferred return and catch up distributions, and then 80% to the limited partners pro rata in accordance with their contributed capital and 20% to the general partner (the "carried interest").

Withdrawals. Subject to certain withdrawal limited exceptions, Fund investors are not permitted to make withdrawals from Fund II, but rather receive distributions according to the parameters set forth in Fund II's Offering Documents.

Separate Accounts

The fees and expenses associated with each Separate Accounts will be negotiated with each Separate Account and are described in detail in the each Separate Account's investment management agreement.

Management Fees. The Management Fee is generally calculated and paid each month in advance. The annual Management Fees may range to up to 2% of a Separate Account's assets.

Performance Fees. Separate Accounts owned by Qualified Clients may be charged a performance fee of up to 20% per annum. Any performance fees will be calculated based on net profits.

Management Fees and, if applicable, performance fees are generally deducted in advance with respect to each period for which they are due from each Separate Account directly upon invoice to the custodian.

- B. Management fees and performance allocations/fees are paid as indicated in Item 5.A. above.
- C. Each of Fund I and Fund II generally bears its own expenses, including legal, accounting, brokerage, custody, administration and other expenses, which expenses are set forth in detail in each such Fund's Offering Documents.

Each Separate Account also generally bears its own expenses, including legal, accounting, brokerage, custody, administration and other expenses, which expenses are described in more full detail in such Separate Account's investment management agreement.

Although the Adviser generally does not execute transactions with broker-dealers in connection with the implementation of its investment strategy, to the extent that any Client transactions are executed through a broker-dealer, the Client will incur brokerage and other transaction costs. Please refer to Item 12, Brokerage Practices, for more information.

- D. As stated above, any Management Fees are payable in advance with respect to each period for which such Management Fees are due. Since Fund I investors are generally only permitted to withdraw investment in a Fund on a quarterly basis, refunds of Management Fees are generally not available to Fund I investors. Since Fund II investors are generally not permitted to withdraw, no refunds of Management Fees are available. In the event that the advisory agreement is terminated with respect to a Separate Account during a month in which the

Management Fee has been paid in advance, the Adviser will return the pro rata portion of the fee to the Separate Account for the period remaining in such month.

- E. The Adviser and certain of its affiliates or associated persons may receive warrants, equity securities or other compensation in connection with securitizations of loans, providing consulting services, or as reimbursement for its expenses, in connection with transactions entered into or to be entered into by Fund II.

Item 6 - Performance-Based Fees and Side-By-Side Management

As stated in Item 5 above, the Adviser or its affiliates receive performance-based fees or allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

The Adviser may manage multiple Clients with similar investment strategies on a side-by side basis. As a result of the foregoing, the Adviser, its principal(s), and/or affiliate(s) may have conflicts of interest in: (i) allocating their time and activity among the multiple Clients; (ii) allocating investments among the multiple Clients; and (iii) effecting transactions among the multiple Clients, including ones in which the Adviser, its principal(s), and/or affiliate(s) may have a greater financial interest. These conflicts of interest may create an incentive for the Adviser to favor a Client in which the Adviser, its principal(s), and/or affiliate(s) have a greater financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that the Adviser regards as more attractive or better performing investments.

To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities. These policies and procedures require the Adviser to at all times allocate investments among the Clients in a manner which it believes to be fair and equitable and prohibit the Adviser from basing an allocation decision on any of the following, or similar, reasons: (i) to generate higher fees paid by one Client over another, or to produce greater fees to the Adviser or any of its affiliates; (ii) to develop a relationship with an existing or potential investor in a Client; (iii) to compensate an investor in a Client for past services or benefits rendered to the Adviser or any employee of the Adviser; or (iv) to induce future services or benefits to be rendered to the Adviser or any employee of the Adviser.

Item 7 - Types of Clients

As mentioned in Item 4, the Adviser provides investment advisory services to (i) private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions and (ii) separate accounts including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses.

The Offering Documents for each Client include certain stated minimum investment amounts, although the Adviser may accept investments in a lesser amount at its sole discretion.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

A. Investment Objective and Strategy

Fund I

The Adviser's investment objective with respect to Fund I and certain related SMAs is to achieve risk-adjusted returns that are superior relative to traditional fixed-income investments while also providing reasonable liquidity to investors. The Adviser intends to achieve its objective by investing Fund I assets in consumer loans, primarily (but not exclusively) those originated by LendingClub Corporation, a Delaware corporation ("LendingClub"), that offer a combination of attractive yield, strong credit quality, and relatively short duration while minimizing volatility of returns and correlation to other asset classes, and, for certain clients, by employing leverage to enhance returns. Additionally, the Adviser may invest Fund I assets in cash, cash equivalents, and hedging strategies. The Adviser intends to continue to distribute a high percentage of Fund I income to investors via quarterly distributions.

Implementation of Investment Strategy

The Adviser has created the following proprietary model that it will use to implement its investment strategy:

Loan Selection Model - Based on analysis of historical LendingClub loan pools, the Adviser has created a proprietary loan selection model derived from variables found to be statistically significant in predicting loan losses (charge-offs). Holding constant the portfolio allocation to each LendingClub assigned credit grade, the model selects newly originated loans within a category that appears least likely to default.

The Adviser employs leverage for Fund I, against its assets as a means of enhancing returns, and believes that its leverage targets are reasonable in relation to many yield-oriented investments and structured products vehicles. The Adviser believes that LendingClub member loans can be used as collateral to secure leverage on favorable terms given their combination of high yield, short duration and high credit quality. The Adviser believes there is a substantial difference (or spread) between the yield (net of credit losses) on LendingClub member loans and the cost of credit facilities backed by comparable assets in the capital markets. The Adviser will seek to maximize this spread and will seek to continually improve the terms of its credit facilities. Additionally, the Adviser may invest certain Fund I assets in a variety of derivative instruments to protect against possible increases in financing expenses with credit facility providers resulting from changes in interest rates.

Fund II

The Adviser's investment objective with respect to Fund II is to achieve risk-adjusted returns that are superior to traditional fixed-income investments by purchasing and originating loans to small businesses. The Adviser anticipates that it will purchase and originate a large portion of these loans through online lending platforms that employ technology to automate the sourcing, underwriting, origination and servicing of Fund II's investments. Fund II generally defines a small business as any for-profit business with annual revenue of \$35 million or less. Fund II generally expects the size of its loans to small businesses to be between \$50,000 and \$250,000. Fund II intends to achieve its objective by purchasing (and in the case of I. a., b. and

c. below, originating) the following investments, collectively referred to as “Fund Investments”:

I. “Debt Investments”

- a. advances, receivables purchases or factoring arrangements with small businesses;
- b. loans made to small businesses or the originators of such loans and loan participations issued in connection with such loans;
- c. secured and unsecured debt instruments (including convertible debt) issued by small businesses or by originators of loans to small businesses; and
- d. securitized debt instruments, or securities or other interests, secured by, backed by or representing interests in, pools of primarily any of the foregoing.

II. “Equity Investments”

- a. preferred stock and equity securities (including warrants but excluding securitized equity instruments), as well as profit and/or revenue sharing arrangements received or purchased in connection with loans made to small businesses or the originators of such loans, in each case in the United States; provided that the Fund will only use available cash in an amount up to five percent (5%) of the aggregate Capital Commitments to the Fund to acquire such equity securities, preferred stock or warrants (the “Equity Limitation”), and otherwise will use available cash in excess of the Equity Limitation only upon the exercise of warrants.

The Adviser intends to select Debt Investments with relatively short durations that offer attractive yields in relation to their credit quality, while seeking to minimize volatility and correlation of returns to other asset classes, with the potential for additional upside via Equity Investments received or purchased in connection with Debt Investments. The Adviser believes that many small businesses are underserved by traditional financial institutions because small businesses are less visible, or have achieved neither the size nor the scale to attract lending from such institutions. Few banks and finance companies focus on lending to small businesses and as a result, the Manager believes it can receive terms on loans to small businesses that possess risk-adjusted return profiles that are superior to loans made to larger, more well-known companies. Such favorable terms may include higher yields, lower leverage ratios, stronger credit enhancements and/or greater equity grants than typical transactions involving larger, more established companies.

Fund II may seek to further enhance returns by employing leverage, either through warehouse lines of credit, securitization markets, or other forms of borrowing.

Investing in securities involves risk of loss that all Clients and investors should be prepared to bear. The Offering Documents for each Client contain further information on their respective investment strategies and process.

- B. The Adviser’s investment strategies involve a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The

risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client's Offering Documents:

Fund I and SMAs

General Investing Risk. Investments with the Adviser are highly risky and speculative because returns on the investment in a Client depend entirely on payments received by the Client on unsecured consumer finance obligations of individual borrowers. The failure of any such borrower to repay a member loan does not result in any cause of action by any Client. Investments in Clients are suitable purchases only for investors of adequate financial means. If you cannot afford to lose all of the money you plan to invest in a Client, you should not make the investment.

General Economic and Market Conditions. The success of the Adviser's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of Client investments), and political circumstances (including wars, terrorist activities or security operations). Additionally, the deterioration of the U.S. Treasury markets (whether caused by the U.S. credit rating being downgraded or otherwise), the loss of value of the U.S. Dollar (in which Client assets will be denominated) and the occurrence of widespread systemic financial institution failures could also affect the success of the Adviser and its Clients. Further, a significant increase in unemployment (generally the biggest driver of credit losses on consumer loans) could substantially affect the Adviser and its Clients. The foregoing factors may affect the level and volatility, and the liquidity of, the Client investments, and may also impair the Adviser's ability to access affordable capital in the credit markets, all of which could impair Client profitability or result in losses.

Leverage. The Adviser expects to utilize leverage in investing Client assets including by borrowing funds and pledging Client assets as collateral. While the use of leverage increases returns if the Client earns a greater return on the incremental investments purchased with leverage than it pays for such leverage, the use of leverage decreases returns if the Client fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Client than if the Client was not so leveraged.

Credit Facilities. The credit facilities that the Adviser may obtain for its Clients could possibly mature prior to the Clients' ability to repay such facilities, and a failure to obtain a facility renewal from the applicable lender could cause a payment default under the applicable credit facility in which case such lender could accelerate Client indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees). Additionally, the Adviser may find it necessary refinance one or more of the credit facilities with a new third-party lender, which refinancing could be subject to highly onerous terms. All of the foregoing would have a material adverse effect on the Clients' financial condition.

Additionally, the Adviser anticipates that the credit facilities may bear interest based upon variable rates, while the member loans purchase by Clients will be subject to fixed interest rates. In the event the interest rates under a Client's credit facility were to materially increase, it could substantially reduce the Client's returns and have a material adverse effect on the Client's financial condition.

Financing Arrangements. As a general matter, the banks and lenders that may provide financing to the Adviser have considerable discretion in setting and changing their interest rates, fees, collateral requirements, financing and collateral valuation policies. Changes by banks and lenders in any of the foregoing policies may result in defaults, loss of financing and forced liquidations of positions at disadvantageous prices.

Lender Financial Health. The Adviser will be highly dependent on lenders in order to carry out its leverage strategy. In the event that the financial condition of one or more of the lenders were to become impaired, the Clients could be subjected to higher interest rates or an inability to make further borrowings under the applicable credit facility, any of which could negatively affect the Clients' overall performance.

Credit Ratings. While the Adviser believes that the cost of debt could materially decline as the Adviser grows the asset base of its Clients and achieves the critical mass necessary to obtain an agency credit rating on its credit facilities and access the securitization markets, there is no guarantee that the Adviser will actually be able to obtain such an agency credit rating for its Clients or be able to access such securitization markets, and the failure to do so could impair the Adviser's leverage strategy and negatively affect the overall performance of its Clients.

Diversification. Although the Adviser will diversify Client investments among the LendingClub member loans, it does not currently plan to make any material investments outside of the LendingClub member loans, though the Adviser may elect to invest outside of the LendingClub platform in the future. As a result, this concentration of Client investments will cause Client returns to become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting LendingClub and/or the consumer loan market in general.

Key Personnel. Investors have no right or power to take part in the management of a Client. Accordingly, no investor should invest in a Client unless such investor is willing to entrust all aspects of the management of the investment to the Adviser. The investment performance of the Clients depends largely on the skill of the Principal. If the Principal were to leave the Adviser, an equally desirable replacement might not be available, and the performance of the Clients could, as a result, be adversely affected.

Distributions. In the event that certain Clients, including the Funds, are unable otherwise to meet their obligations, the investors in such Clients may be required to repay to the Client, or to pay to creditors of the Client, distributions previously received by them pursuant. In addition, investors may be required to pay to the Client amounts that are required to be withheld by the Client for tax purposes.

No Market for Interests. An investment with the Adviser is a relatively illiquid investment because the investment is not generally transferable and the withdrawal rights of the investors are restricted. In addition, transfer of the investment may be affected by restrictions on resales imposed by federal and state securities laws and the requirement that the Adviser consent. The Adviser's investment program is not intended as a complete investment program and is designed only for persons who are able to bear the economic risk of the investment and are sophisticated persons in connection with financial and business matters.

Withdrawals. The Adviser in its sole discretion may require an investor to withdraw all or any portion of its investment and withdraw from a Client at any time for any reason or no reason.

Loan Selection and Valuation Models. While the Adviser's loan selection and valuation models have produced satisfactory results based on backtests performed on historical LendingClub loan pools, there is no guarantee that such models will actually produce satisfactory results going forward or that such models will identify member loans that will perform better than (or as well as) any other member loans originated by LendingClub.

Operational Risks. The Adviser relies extensively on computer systems and proprietary programs to evaluate and purchase member loans, to monitor Client portfolios and net capital, and to generate reports that are critical to oversight of the Adviser's investment activities. In addition, certain of the Adviser's operations interface with or depend on systems operated by third parties, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Such failures could cause the evaluation and purchase of member loans to fail, lead to inaccurate accounting, recording or processing of transactions relating to member loans, and cause inaccurate reports, which may affect the Adviser's ability to monitor Client investment portfolios and its risks. Any such defect or failure could cause the disruption of the Adviser's its business, liability to clients or third parties, regulatory intervention or reputational damage, or financial loss to its Clients.

- C. An investment in a Client involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Adviser may invest Client assets in debt instruments and engage in transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of the Adviser will be realized. Below is a list of potential investment risk factors related to investing in LendingClub member loans, small business loans and the Clients generally. There is no guarantee that the Adviser will be able to control these risks or that the risks will not aggregate in a manner adverse to the Adviser's Clients. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client's Offering Documents.

1. Fund I and Related SMAs

Borrower Defaults Generally. The success of a Client's investments will depend, in part, on the financial stability of the borrowers of the loans acquired by the Client. Default by borrowers on loan payments would cause the Client to lose the revenue associated with such loans. Such situations, given the current state of the economy, may be more common than in the past, and the Adviser may fail to, or may not be able to, discover factors that would indicate a heightened level of uncertainty with respect to particular borrowers of the loans acquired by the Client or geographical areas when performing due diligence on prospective Investments. Borrower defaults thus increase the risk that the Clients could suffer a loss.

In addition, if a borrower of the loans acquired by a Client defaults or goes bankrupt, the Client may experience delays in enforcing its rights as a creditor and may incur substantial costs in protecting its investment and exercising remedies. These events could limit the Adviser's ability to make distributions and decrease the value of an investment in the Client.

Unsecured Obligations. Member loans are unsecured obligations of borrower members. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. LendingClub, or any other applicable services, and their respective designated third-party collection agency will, therefore, be the only parties that

may take collection actions on member loans. Moreover, Client investors will have no recourse against borrower members and no ability to pursue borrower members to collect payments under member loans. Investors may look only to the Client for payment in connection with their investments, and a Client's obligation to pay make such payments in connection with such investments is limited as described in the Client's Offering Documents.

Borrower Credit Information. LendingClub obtains borrower member credit information from consumer reporting agencies, such as TransUnion, Experian or Equifax, and assigns one of thirty-five (35) LendingClub loan grades to loan requests, from A1 through G5, based on the reported credit score, other information reported by the consumer reporting agencies and the requested loan amount. A credit score or loan grade assigned to a borrower member may not reflect that borrower member's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate consumer reporting data, and LendingClub does not verify the information obtained from the borrower member's credit report. Additionally, there is a risk that, following the date of the credit report that LendingClub obtains and reviews, a borrower member may have: (i) become delinquent; (ii) defaulted on a pre-existing debt obligation; (iii) taken on additional debt; or (iv) sustained other adverse financial events. Moreover, the Adviser does not, and will not, have access to financial statements of borrower members.

Additional Borrower Information. Borrower members on the LendingClub site supply a variety of information that is included in the borrower member loan listings on their website. LendingClub does not verify this information, and it may be inaccurate or incomplete. For example, LendingClub does not verify a borrower member's stated home ownership status, job title, employer or tenure, unless otherwise indicated, and the information a borrower member may supply may be inaccurate or intentionally false. Borrower members may misrepresent their intentions for the use of loan proceeds. Unless they have specifically indicated otherwise in a loan listing, LendingClub does not verify a borrower member's stated income. For example, unless otherwise indicated, they do not verify borrower member paystubs, IRS Forms W-2, federal or state income tax returns, bank and savings account balances, retirement account balances, letters from employers, home ownership or rental records, car ownership records or any records related to past bankruptcy and legal proceedings. For the year ended March 31, 2011, approximately 64.6% of requested borrower members provided LendingClub with satisfactory responses to verify their income or employment; approximately 13.2% of requested borrower members withdrew their applications for loans, and approximately 22.2% of requested borrower members either failed to respond to LendingClub's request in full or provided information that failed to verify their stated information, and they therefore removed those borrower members' loan postings from their website. The identity of borrower members is not revealed to the Adviser, and the Adviser has no ability to obtain or verify borrower member information either before or after it purchases an interest for a Client in any member loan. The Adviser may only communicate with borrower members through the LendingClub website postings, and then only on an anonymous basis, and investors in the Clients may not communicate or otherwise interact with potential borrowers on the LendingClub website. While LendingClub may monitor website posting for appropriate content, they do not verify any information in the postings nor do they respond to requests from investor or borrower members in any posting and any response to the contrary should not be seen as accurate. If the Adviser relies on false, misleading or unverified information supplied by borrower members in deciding to purchase an interest for a Client in any member loan, the Client may lose part of, or all of its investment in that member loan.

Identity Fraud. LendingClub uses identity checks with a third-party provider to verify each borrower member's identity and credit history. Notwithstanding their efforts, there is a risk that identity fraud may occur and remain undetected by them, and an affected loan would not be repurchased as otherwise required. LendingClub has the exclusive right to investigate claims of identity theft and determine, in its sole discretion, whether verifiable identity theft has occurred. As LendingClub is the sole entity with the ability to investigate and determine verifiable identity theft, which triggers its repurchase obligation, a conflict of interest exists as the denial of a claim under LendingClub's identity theft guarantee would save LendingClub from its repurchase obligation. There are, however, three factors that mitigate the risk of this conflict. Without the protection offered by this guarantee, fewer potential lenders will have the confidence to participate on the LendingClub site, therefore limiting LendingClub's growth and long term profitability. In addition, LendingClub's relationship with WebBank includes a requirement – and accompanying audit function – to insure that claims of identity theft are thoroughly investigated and accurately reported. Finally, California statutes include severe penalties owed to the victim of identity theft if it is shown that a claim of identity theft was not adequately investigated or was frivolously dismissed.

Financial Restrictions on Borrowers. All member loans are credit obligations of individual borrower members. If a borrower member incurs additional debt after obtaining a member loan through the LendingClub platform, the additional debt may impair the ability of that borrower member to make payments on the borrower's member loan and a Client's ability to receive the principal and interest payments that it expects to receive on those member loans. In addition, the additional debt may adversely affect the borrower member's creditworthiness generally, and could result in the financial distress, insolvency, or bankruptcy of the borrower member. To the extent that the borrower member has or incurs other indebtedness and cannot pay all of its indebtedness, the borrower member may choose to make payments to creditors other than LendingClub or the Client. As to these member loans, to the extent borrower members incur other indebtedness that is secured, such as mortgage, home equity or auto loans, the ability of the secured creditors to exercise remedies against the assets of the borrower member may impair the borrower member's ability to repay the unsecured member loan on which the Interests are dependent. Since the member loans are unsecured, borrower members may choose to repay obligations under other indebtedness before repaying member loans originated through the LendingClub platform because the borrower members have no collateral at risk. The Adviser will not be made aware of any additional debt incurred by a borrower member, or whether such debt is secured.

Default Rate. Member loan default rates may be significantly affected by economic downturns or general economic conditions beyond the Adviser's control and beyond the control of LendingClub and the individual borrower members. In particular, default rates on member loans on which Clients are dependent for payment may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. The significant downturn in the United States economy that occurred in the past several years caused default rates on consumer loans to increase, and a continuation of the downturn will likely result in continued high or increased member loan default rates.

Likelihood of Default. If the borrower member fails to make a required payment on a member loan within thirty (30) days of the due date, LendingClub will pursue reasonable collection efforts in respect of such member loan. Referral of a delinquent member loan to a collection agency on the thirty-first (31st) day of its delinquency will be considered reasonable collection

efforts. If LendingClub refers a member loan to a collection agency, LendingClub will have no other obligation to attempt to collect on such delinquent member loan. LendingClub may also handle collection efforts in respect of a delinquent member loan directly. If payment amounts on a delinquent member loan are received from a borrower member more than thirty (30) days after the applicable due date, then LendingClub, or, if they have referred the delinquent member loan to an outside collection agency, that collection agency, will retain a percentage of any funds recovered from such borrower member as a service fee before any principal or interest becomes payable to a Client from recovered amounts in respect of the Client's interests in the corresponding member loan. Collection fees range up to 30% to 35% of recovered amounts. LendingClub and/or any other applicable servicer for the Client (or the collection agency selected by LendingClub or such other servicer, as applicable) may not be able to recover some or all of the unpaid balance of a non-performing member loan. The Clients must rely on the collection efforts of LendingClub or such other applicable servicer and the designated collection agency, and the Clients are not permitted to attempt to collect payments on the member loans in any manner.

Cross-Default. Member loans do not contain cross-default provisions. A cross-default provision makes a default under certain debt of a borrower member an automatic default on other debt of that borrower member. Because the member loans do not contain cross-default provisions, a borrower member's loan will not be placed automatically in default upon that borrower member's default on any of the borrower member's other debt obligations, unless there are independent grounds for a default on the member loan. The member loans will not be referred to a third-party collection agency for collection because of a borrower member's default on debt obligations other than the member loan. If a borrower member defaults on debt obligations owed to a third party and continues to satisfy payment obligations under the member loans, the third party may seize the borrower's assets or pursue other legal action against the borrower member before the borrower member defaults on their member loan. Payments on member loans may be substantially reduced if the borrower member subsequently defaults on the member loans and a Client may be unable to recoup any or all of its expected principal and interest payments on its investment in such member loans.

Prepayment. Borrower member loan prepayment occurs when a borrower member decides to pay some or all of the principal amount on a member loan earlier than originally scheduled. A borrower member may decide to prepay all or a portion of the remaining principal amount at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a member loan, the Client will receive such prepayment, net of any service fee, but further interest will not accrue after the date on which the payment is made. If a borrower member prepays a portion of the remaining unpaid principal balance on a member loan, LendingClub will reduce the outstanding principal amount and interest will cease to accrue on the prepaid portion. As a result of the combination of the reduced principal amount and the unchanged monthly payment, the effective term of the member loan will be shortened. If a borrower member prepays a member loan in full or in part, the Client will not receive all of the interest payments that it originally expected to receive in connection with such member loan, and the Adviser may not be able to find a similar rate of return for the Client on another investment at the time at which the member loan is prepaid. In the absence of a servicing charge waiver, a Client's return on such member loan may actually be negative if prepayment occurs within the first few months after the Client's purchase of such member loan.

Change in Interest Rates. The member loans have a term of three (3) or five (5) years and bear fixed, not floating, rates of interest. If the prevailing interest rates increase, the interest rates on member loans purchased by the Adviser for a Client might be less than the rate of return the

Client could earn if the Adviser invested the purchase price for such member loans in other investments. While the Client may still receive a return on its purchase price for the member loans through the receipt of amounts equal to the interest portion of a borrower member's payments on the member loan, if prevailing interest rates exceed the rate of interest payable on the member loan, the payments received by the Client during the term of the member loan may not reflect the full opportunity cost to the Client after taking into account factors such as the time value of money. If prevailing interest rates on consumer loans decrease, borrower members may choose to prepay their member loans with money they borrow from other sources or other resources.

Limited Enforceability of Remedies. Generally, debt instruments which the Adviser acquires for its Clients will include debt-acceleration clauses, which permit the lender to accelerate the debt upon a default of the borrower. The courts of all states will enforce clauses providing for acceleration in the event of a material payment default after the giving of appropriate notices. The equity courts of any jurisdiction, however, may refuse to permit the foreclosure of a debt instrument when an acceleration of the indebtedness would be inequitable or unjust or the circumstances would render the acceleration unconscionable.

Usury Laws. Loans purchased by the Adviser for its Clients may be subject to state usury laws. The Adviser intends to use reasonable efforts to cause its Clients to comply with any applicable usury laws. However, in some instances, the Adviser may not be aware that the usury laws of a state are applicable and/or the Adviser may not be successful in causing its Clients to comply with such laws. Failure of a Client to comply with any applicable usury laws could result in the Client incurring a significant loss with respect to the applicable loan.

Market Discount. Market discount is generally equal to the excess of a debt obligation's stated redemption price at maturity (i.e., generally, the sum of all principal payments due under the debt instrument plus certain types of non-fixed interest payments) over the taxpayer's adjusted basis in such debt instrument, reduced by the amount of any original issue discount associated with such debt instrument. If a debt instrument has market discount, the holder generally must include such market discount in its taxable income (as ordinary income) during the year such debt instrument is sold or the principal payments exceed the taxpayer's basis in such debt instrument. While holders of market discount obligations may elect to accrue such discount before disposition, it is expected that the Clients or any subsidiary trust will make no such election in order to minimize the mismatch between the amount of taxable income recognized from an investment during a taxable year and the amount of cash actually received from such investment during the taxable year.

Death of the Borrower. All borrower members are individuals. If a borrower member with outstanding obligations under a member loan dies while the member loan is outstanding, LendingClub (as the servicer) will generally seek to work with the executor of the estate of the borrower member to obtain repayment of the member loan. However, the borrower member's estate may not contain sufficient assets to repay the member loan. In addition, if a borrower member dies near the end of the term of an unsecured member loan, it is unlikely that any further payments will be made to the Client, because the time required for the probate of the estate may extend beyond the final maturity date of the member loan.

Borrower Bankruptcy. Borrower members may seek protection under federal bankruptcy law or similar laws. If a borrower member files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent bankruptcy court

approval. If LendingClub (as the servicer) receives notice that a borrower member has filed for protection under the federal bankruptcy laws, or has become the subject of an involuntary bankruptcy petition, LendingClub will put the borrower member's member loan account into "bankruptcy status." When LendingClub puts a member loan into bankruptcy status, they terminate automatic monthly Automated Clearing House (ACH) debits and do not undertake collection activity without bankruptcy court approval, which may result in a loss of a Client's investment in such member loan. Whether any payment will ultimately be made or received on a member loan after a bankruptcy status is declared depends on the borrower member's particular financial situation and the determination of the court. It is possible that a borrower member's personal liability on the member loan will be discharged in bankruptcy. In most cases involving the bankruptcy of a borrower member with an unsecured loan, unsecured creditors, including the Client as holder of the member loan, will receive only a fraction of any amount outstanding on their member loans, if anything.

2. Fund II

An investor may lose some or all of its investment in the interests of the Fund (the "Interests") because the Interests are highly risky and speculative. Only investors who can bear the loss of their entire purchase price should purchase the Interests.

The Interests are highly risky and speculative because payments on the Interests depend entirely on payments received by the Fund on finance obligations of small businesses. The failure of any such borrower to repay a commercial loan does not result in any cause of action by any holder of an Interest. The Interests are suitable purchases only for investors of adequate financial means. If you cannot afford to lose all of the money you plan to invest in the Interests, you should not purchase the Interests.

There is no market for the Interests.

An investment in the Fund is an illiquid investment because an Interest in the Fund is not generally transferable and there are no withdrawal rights of the Limited Partners. In addition, transfer of the Interests may be affected by restrictions on resales imposed by federal and state securities laws and the requirement that the General Partner consent. The Fund is not intended as a complete investment program and is designed only for persons who are able to bear the economic risk of the investment and are sophisticated persons in connection with financial and business matters.

The Fund has limited operating history.

The Fund is a recently formed entity, and it does not have any substantial operating history upon which investors can evaluate its past performance. There can be no assurance that the Fund will achieve its investment objectives. An investor in the Interests must rely upon the ability of the Manager's investment professionals and other key employees in identifying and implementing investments and transactions consistent with the Fund's investment objective and policies.

The Fund's success is largely tied to the success of its sources of loans.

The Fund's success or failure is highly dependent on the success or failure of the sources of commercial loans. In the event any of such sources were not able to conduct its business successfully (including, without limitation, with respect to attracting loans for purchases and

borrowers, servicing commercial loans and remaining adequately capitalized) or if any such source were to experience a material adverse effect or a complete failure of its business, it could materially and adversely affect the performance of the Fund due to the inability of the Fund to generate returns for its investors.

The General Partner's Carried Interest may create a conflict of interest.

The General Partner's Carried Interest may create an incentive for the General Partner and/or the Manager, an affiliate of the General Partner, to cause the Fund to make investments that are riskier or more speculative than would be the case in the absence of such allocation.

An investment in the Fund involves significant fees and expenses.

Investments in the Fund involve significant fees and expenses which are borne by the Limited Partners. These fees and expenses will reduce the returns in connection with the Interests.

The Fund's financing arrangements may contain restrictive covenants that may limit its liquidity and its ability to carry out its investment strategy.

The Fund's future financing arrangements may impose operating and financial restrictions on the Fund and its related entities. These restrictions may limit the Fund's ability and the ability of its related entities to:

- Incur additional indebtedness;
- Create liens on its assets;
- Make investments; or
- Make distributions to its Partners.

The Fund's failure to comply with the terms of any financing arrangements it enters into could lead to defaults, in which case its lenders could then accelerate the Fund's indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees), all of which would have a material adverse effect on the Fund's financial condition.

The Fund will be subject to renewal/refinancing risk with respect to its credit facilities.

The credit facilities that the Fund may obtain could possibly mature prior to the Fund's ability to repay such facilities, and a failure to obtain a facility renewal from the applicable lender could cause a payment default under the applicable credit facility in which case such lender could accelerate the Fund's indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees). Additionally, the Fund may find it necessary to refinance one or more of its credit facilities with a new third-party lender, which refinancing could be subject to more onerous terms. All of the foregoing would have a material adverse effect on the Fund's financial condition.

The Fund will be subject to interest rate risk with respect to its credit facilities.

The Fund is permitted to, and may, enter into credit facilities that bear interest based upon variable rates, while the commercial loans purchased by the Fund may be subject to fixed interest rates. In the event the interest rates under any of the Fund's credit facilities were to materially increase, it could substantially reduce the Fund's returns and have a material adverse effect on the Fund's financial condition. The Manager may implement interest rate hedging strategies to mitigate this risk, and future credit facilities may bear interest at fixed interest rates.

The Fund and its assets will be subject to remedies of any lenders with respect to defaults.

The Fund's credit facilities, if obtained, will contain defined events of default which, if triggered, would permit the Fund's lenders to exercise rights and remedies, including foreclosing on the Fund's assets, that would adversely affect an investor's investment in the Fund.

A deterioration in the financial health of the Fund's lenders could negatively affect the Fund.

The Fund will be highly dependent on its lenders in order to carry out the Manager's leverage strategy. In the event that the financial condition of one or more of the Fund's lenders were to become impaired, the Fund could be subjected to higher interest rates or an inability to make further borrowings under the applicable credit facility, any of which could negatively affect the Fund's overall performance.

If the Fund is required to register under the Investment Company Act, its ability to conduct its business could be materially adversely affected.

The Investment Company Act of 1940, or the "Investment Company Act," contains substantive legal requirements that regulate the manner in which "investment companies" are permitted to conduct their business activities. The Manager believes that the Fund has conducted, and that it intends to continue to conduct, its business in a manner that does not result in the Fund being characterized as an investment company. If, however, the Fund is deemed to be an investment company under the Investment Company Act, it may be required to institute burdensome compliance requirements and its activities may be restricted, which would materially and adversely affect its business, financial condition and results of operations. If the Fund were deemed to be an investment company, the Fund may also attempt to seek exemptive relief from the SEC, which could impose significant costs and delays on its business.

Additionally, because the Fund is not registered and does not intend to register as an investment company under the Investment Company Act, investors in the Fund are not afforded the protections of the Investment Company Act (which, among other matters, requires investment companies to have at least 40% disinterested directors, requires securities held in custody at all times to be segregated and marked to clearly identify the owner of such securities, and regulates the relationship between the adviser and the investment company).

Limited Partners must rely on the Fund's management and key personnel.

Limited Partners have no right or power to take part in the management of the Fund. Accordingly, no investor should purchase Interests unless such investor is willing to entrust all aspects of the management of the Fund to the General Partner and the Manager.

The investment performance of the Fund depends largely on the skill of Mr. Jonathan Barlow and Mr. Steven Lee. If Mr. Barlow and Mr. Lee were to cease providing services to the Manager for any reason, an equally desirable replacement might not be available, and the performance of the Fund could, as a result, be adversely affected.

There is no guarantee that the Fund's loan selection will be successful.

There is no guarantee that the Fund's loan selection will produce satisfactory results or that the Fund will be successful in identifying commercial loans that will perform better than (or as well as) any other commercial loans purchased or originated by other financing entities.

Disruptions in the Fund's computer programs and systems could interrupt the Fund's commercial loan purchasing process.

The Fund depends on the Manager to develop and implement appropriate systems for its activities. The Fund may rely in certain cases on computer systems and proprietary programs to evaluate and purchase commercial loans, to monitor its portfolios and net capital, and to generate reports that are critical to oversight of the Fund's activities. In addition, certain of the Fund's and the Manager's operations interface with or depend on systems operated by third parties, and the Manager may not be in a position to verify the risks or reliability of such third-party systems. The Fund's or the Manager's programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Such failures could cause the evaluation and purchase of commercial loans to fail, lead to inaccurate accounting, recording or processing of transactions relating to commercial loans, and cause inaccurate reports, which may affect the Fund's ability to monitor its investment portfolios and its risks as well as the Fund's ability to deploy capital. Any such defect or failure could cause the Fund to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention or reputational damage.

The Fund's arrangements for backup servicing may be limited. If a servicer fails to maintain operations or becomes the subject of bankruptcy, the Fund will experience a delay and increased cost in respect of its expected principal and interest payments, and payments with respect to the commercial loans may become subject to claims of creditors of such servicer.

The Fund may make arrangements for only limited backup servicing. If any such servicer platform were to fail or if such servicers were to become insolvent, the Fund would attempt to transfer commercial loan servicing obligations to a third party back-up servicer. There can be no assurance that this back-up servicer will be able to adequately perform the servicing of the outstanding commercial loans. If this back-up servicer assumes the servicing of the commercial loans, the back-up servicer will impose additional servicing fees, reducing the amounts available for payments. Additionally, transferring these servicing obligations to the Fund's back-up servicer may result in delays in the processing and recovery of information with respect to amounts owed on the commercial loans or, if a servicer platform becomes inoperable, may prevent a servicer from servicing the commercial loans and making principal and interest payments. If the Fund's back-up servicer is not able to service the commercial loans effectively, the Fund's ability to receive principal and interest payments with respect to the commercial loans may be substantially impaired. In addition, any bankruptcy or insolvency of any servicer of the Fund will adversely impact an investor's investment in the Fund and may cause payments with respect to the commercial loans to be subject to the claims of a servicer's or such backup servicer's other creditors.

Limited Partners may be required to repay certain distributions to the Fund.

In the event that the Fund is unable otherwise to meet its obligations, the Limited Partners may be required to repay to the Fund, or to pay to creditors of the Fund, distributions previously received by them pursuant to the law of the State of Delaware or other jurisdiction. In addition, Limited Partners may be required to pay to the Fund amounts that are required to be withheld by the Fund for tax purposes.

Investment Classes of the Fund may be subject to claims with respect to other Investment Classes.

Although the Manager intends to operate the Fund and the underlying Delaware statutory trusts as a “series” partnership and trust respectively, with separate assets and liabilities, and the Delaware Statutory Trust Act provides for such separation, there can be no assurance that a U.S. federal bankruptcy court would respect this position, as it has not yet been the subject of such judicial review, and therefore there can be no assurance that the assets of one Investment Class will not be subject to claims made on another Investment Class in such event.

If the Fund were deemed to hold “plan assets,” the Manager may become an ERISA fiduciary.

It is expected that the Fund will not be deemed to hold “plan assets” subject to ERISA and/or Section 4975 of the Code. However, in the event that the Fund is deemed to hold “plan assets,” the Manager may become an ERISA fiduciary with respect to such “plan assets.” As an ERISA fiduciary, the Manager would be required to conform its decisions and actions in connection with such “plan assets” with the fiduciary duties and limitations imposed on ERISA fiduciaries, notwithstanding anything contained herein to the contrary. In addition, restrictions imposed on the Fund under ERISA or Section 4975 of the Code could limit certain investment opportunities in some circumstances.

The General Partner and/or the Manager may enter into side letters with certain Limited Partners.

The General Partner and/or the Manager may enter into side letters with certain Limited Partners establishing rights different from, or supplementing or altering, the terms set forth herein or in the Partnership Agreement. Each of the General Partner and the Manager reserves the right to, on its own behalf or on behalf of the Fund, without any act, consent or approval of any other Limited Partner, enter into, deliver and perform such side letters with one or more Limited Partners that may result in such Limited Partners receiving greater economic benefits or other preferential rights and terms than may otherwise be provided or disclosed to any other Limited Partner. Any rights established, or any terms herein or in the Partnership Agreement, in each case so supplemented or altered in any such side letter, will govern with respect to such Limited Partner notwithstanding any other terms herein or in the Partnership Agreement.

A dissolution of the Fund may have adverse consequences.

The Fund may be dissolved at any time by the General Partner. A dissolution of the Fund could occur at a time that would be disadvantageous to investors in the Fund. The Fund cannot assure potential investors that the value of the Interests would not be materially and adversely affected by a dissolution of the Fund or that investors would not sustain economic losses, including adverse federal income tax consequences, from such a dissolution.

An investment in the Fund involves a high degree of investment risk.

An investment in the Fund involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Fund may invest in debt instruments and engage in transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of the Fund will be realized. Below is a list of potential investment risk factors. There is no guarantee that the Fund will be able to control these risks or that the risks will not aggregate in a manner adverse to the Fund.

Commercial Loan Investment Risk. All investments in commercial loans risk the loss of capital. No guarantee or representation is made that the Fund's investment program will be successful. The Fund's investment program may involve, without limitation, risks associated with limited diversification, leverage, interest rates, volatility, credit deterioration or default risks, systems risks and other risks inherent in the Fund's activities. Certain investment techniques of the Fund can, in certain circumstances, magnify the impact of adverse market moves to which the Fund may be subject. In addition, the Fund's investment in commercial loans may be materially affected by conditions in the financial markets and overall general economic conditions.

The Fund's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

Leverage. The Manager may utilize leverage in investing the Fund's assets including by borrowing funds and pledging the Fund's assets as collateral. While the use of leverage increases returns if the Fund earns a greater return on the incremental investments purchased with leverage than it pays for such leverage, the use of leverage decreases returns if the Fund fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the value of the Fund's assets than if the Fund was not so leveraged.

Hedging Transactions. The Fund may enter into hedging transactions in an attempt to neutralize the Fund's interest rate exposure. These hedging transactions could involve a variety of hedging instruments. There can be no assurance that the Fund will engage in hedging transactions at any given time or from time to time, or that such transactions, if available, will be effective in hedging the risks they are intended to hedge. Such failure could result in substantial losses for the Fund. While these transactions may reduce certain risks associated with the Fund's investments in commercial loans, the transactions themselves entail additional risks. Thus, while the Fund may benefit from the use of hedging instruments, unanticipated changes in interest rates may result in a poorer overall performance for the Fund than if it had not entered into any hedging transactions. The Fund expects that there will typically be an imperfect correlation between a hedging instrument position and a credit facility position that is intended to be hedged, and as a result of such imperfect correlation the desired protection may not be obtained in any particular case, and the Fund will be exposed to risk of loss. Hedging transactions also involve additional costs and expenses, which may adversely affect the Fund's overall performance. Hedging transactions will typically expose the Fund to counterparty risk, including the risk of counterparty default with respect to a hedging instrument. (See "Swaps and Counterparty Risks" below)

Further information concerning individual types of derivatives transactions the Fund may enter into in pursuit of its hedging objectives appears below.

Swaps and Counterparty Risks. The Manager anticipates that the Fund may utilize swap and other derivative transactions to some degree where the Manager believes that doing so will further the objectives of the Fund's hedging strategies. To the extent the Fund invests in swaps and other "synthetic" or derivative instruments, counterparty exposures can develop and the Fund takes the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Other Instruments and Future Developments. The Fund may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized "synthetic" or derivative investments in the future. In addition, the Fund may take advantage of opportunities with respect to certain other "synthetic" or derivative instruments that are not presently contemplated for use by the Fund or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the Fund's investment objective and legally permissible for the Fund. Special risks may apply to the Fund's investments in the future.

General Economic and Market Conditions. The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), and political circumstances (including wars, terrorist activities or security operations). Additionally, the deterioration of the U.S. Treasury markets (whether caused by the U.S. credit rating being downgraded or otherwise), the loss of value of the U.S. Dollar (in which the Fund's assets will be denominated) and the occurrence of widespread systemic financial institution failures could also affect the success of the Fund. Further, a significant increase in unemployment (generally the biggest driver of credit losses on commercial loans) could substantially affect the Fund. The foregoing factors may affect the level and volatility, and the liquidity of, the Fund's investments, and may also impair the Fund's ability to access affordable capital in the credit markets, all of which could impair the Fund's profitability or result in losses.

Diversification. Although the Fund will diversify its investments among various commercial loans, there can be no assurance that (subject to the Diversification Limitation) the Fund will not become overly concentrated in a single industry or borrower.

Financing Arrangements. As a general matter, the banks and lenders that may provide financing to the Fund have considerable discretion in setting and changing their interest rates, fees, collateral requirements, financing and collateral valuation policies. Changes by banks and lenders in any of the foregoing policies may result in defaults, loss of financing and forced liquidations of positions at disadvantageous prices.

Effect on the Fund of Future Regulatory Changes. Various factors, including recent dislocations in the financial markets, have caused investors and governmental authorities to express concerns over the integrity of the U.S. financial markets and the adequacy of the current regulation of financial institutions, including alternative asset managers. For example, the

Fund may be materially adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. or non-U.S. governmental regulatory authorities, state regulatory authorities or self-regulatory organizations that supervise the financial markets, including developments that are not directed at alternative asset managers but nevertheless affect the Fund and its operations. Increased regulatory oversight may also impose additional administrative burdens on the Fund and the Manager, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Manager's time, attention and resources from portfolio management activities. The Fund also may be materially adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Such changes could place limitations on the types of investors that can invest in alternative investment funds or on the conditions under which such investors may invest. Furthermore, such changes may limit the scope or manner of investing activities that may be undertaken by the Fund. It is not practicable to determine with meaningful specificity the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Any such regulations could increase the Fund's costs of doing business. The effects of any future regulatory changes on the Fund could be substantial.

The Fund May Invest in Loans and Related Assets Outside the Small Business Space

Although the Fund intends to invest the majority of its assets in small business loans and related assets as described herein, the Fund's Partnership Agreement does not limit partnership investments to small businesses. As such, the Fund may in the future elect to invest in loans and related assets that are unrelated to small businesses. As a general matter, the risk factors identified herein relating to small businesses will not apply to such other loans and related assets.

Non-U.S. Investors

The Fund might be considered to be engaged in a trade or business in the United States with respect to some of its assets and, if so, a non-U.S. investor will be subject to federal income tax in the United States with respect to its share of the Fund's income from such trade or business. Non-U.S. investors may have other adverse consequences if they invest directly in the Fund (instead of investing through a blocker vehicle). Non-U.S. investors should consult with their tax advisors regarding these issues.

RISKS RELATING TO INVESTMENTS IN DEBT INSTRUMENTS AND COMMERCIAL LOANS

Borrower Defaults Generally

The success of the Fund's investments will depend, in part, on the financial stability of the borrowers of the loans acquired by the Fund. Default by borrowers on loan payments would cause the Fund to lose the revenue associated with such loans. Such situations, given the current state of the economy, may be more common than in the past, and the General Partner may fail to, or may not be able to, discover factors that would indicate a heightened level of uncertainty with respect to particular borrowers of the loans acquired by the Fund or geographical areas when performing due diligence on prospective Investments. Borrower defaults thus increase the risk that the Fund, and hence investors, could suffer a loss.

In addition, if a borrower of the loans acquired by the Fund defaults or goes bankrupt, the Fund may experience delays due to legal processes and intercreditor activities in enforcing its rights as a creditor and may incur substantial costs in protecting its investment and exercising remedies. These events could limit the Fund's ability to make distributions and decrease the value of an investment in the Fund.

Due diligence limitations

The ability of the Fund to perform due diligence on individual investments will be limited and in many cases the Fund will rely on third parties to perform such due diligence.

Some of the commercial loans held by the Fund may be unsecured obligations and thus will not be backed by any collateral or guaranteed or insured by any third party, and you must rely on the applicable servicer and their designated third-party collection agency, if any, to pursue collection against any borrower and may only look to the Fund for payment on the Interests, if any.

Some of the commercial loans held by the Fund may be unsecured obligations of borrowers. Unsecured loans are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. Applicable servicers, and their respective designated third-party collection agency, if any, will, therefore, be the only parties that will take collection actions on commercial loans. Moreover, holders of Interests will have no recourse against borrowers and no ability to pursue borrowers to collect payments under commercial loans. Holders of Interests may look only to the Fund for payment in connection with the Interests, and the Fund's obligation to pay make such payments in connection with the Interests is limited as described in this Memorandum.

Borrower credit information may be inaccurate or may not accurately reflect the borrower's creditworthiness, which may cause the Fund to lose part or all of the purchase price it pays for a commercial loan, thereby causing a decline in the value of the Interests.

The Fund or its designees may obtain borrower credit information from credit reporting agencies. A credit score or loan grade assigned to a borrower may not reflect that borrower's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate reporting data. Additionally, there is a risk that, following the date of the credit report, a borrower may have:

- become delinquent in the payment of an outstanding obligation;
- defaulted on a pre-existing debt obligation;
- taken on additional debt; or
- sustained other adverse financial events.

Information supplied by borrowers may be inaccurate or intentionally false and should generally not be relied upon.

If the Fund relies on false, misleading or unverified information supplied by borrowers in deciding to purchase an interest in any commercial loan, the Fund may lose part of, or all of its investment in that commercial loan, which would negatively affect the value of the Interests.

Default rates on the commercial loans may increase as a result of economic conditions beyond the Fund's control.

Commercial loan default rates may be significantly affected by economic downturns or general economic conditions beyond the Fund's control and the individual borrowers. In particular, default rates on commercial loans on which the Interests are dependent for payment may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of bankruptcies, disruptions in the credit markets and other factors. The significant downturn in the United States economy that occurred in the past several years caused default rates on commercial loans to increase, and a continuation of the downturn will likely result in continued high or increased commercial loan default rates.

If payments on a commercial loan become more than thirty (30) days overdue, it is likely that the Fund will not receive the full principal and interest payments that it expects to receive on such commercial loan due to collection fees and other costs, and the Fund may not recover any of its original investment in such commercial loan.

Applicable servicers for the Fund (or the collection agency selected by such servicer, as applicable) may not be able to recover some or all of the unpaid balance of a non-performing commercial loan. The Fund must rely on the collection efforts of such servicers and the designated collection agency, if any, and the Fund may not be permitted to attempt to collect payments on the commercial loans in certain cases.

The commercial loans on which the Interests are dependent may not restrict borrowers from incurring additional unsecured or secured debt, and they may not impose any financial restrictions on borrowers during the term of the commercial loan, which may negatively affect the Interests as a result of the impairment of the Fund's ability to receive the full principal and interest payments that it expects to receive in connection with its investment in such commercial loan.

All commercial loans are credit obligations of individual borrowers. If a borrower incurs additional debt after obtaining a commercial loan through the Fund, the additional debt may impair the ability of that borrower to make payments on the borrower's commercial loan and the Fund's ability to receive the principal and interest payments that it expects to receive on those commercial loans. In addition, the additional debt may adversely affect the borrower's creditworthiness generally, and could result in the financial distress, insolvency, or bankruptcy of the borrower. To the extent that the borrower has or incurs other indebtedness and cannot pay all of its indebtedness, the borrower may choose to make payments to creditors other than the Fund.

Borrowers may seek the protection of debtor relief under federal bankruptcy or state insolvency laws, which may result in the nonpayment of the corresponding commercial loans.

Borrowers may seek protection under federal bankruptcy law or similar laws. If a borrower files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent bankruptcy court approval. If the Fund's servicer receives notice that a borrower has filed for protection under the federal bankruptcy laws, or has become the subject of an involuntary bankruptcy petition, such servicer will put the borrower's commercial loan

account into “bankruptcy status.” Whether any payment will ultimately be made or received on a commercial loan after a bankruptcy status is declared depends on the borrower’s particular financial situation and the determination of the court. It is possible that a borrower’s personal liability on the commercial loan will be discharged in bankruptcy. In most cases involving the bankruptcy of a borrower with an unsecured loan, unsecured creditors, including the Fund as holder of the commercial loan (if unsecured), will receive only a fraction of any amount outstanding on their commercial loans, if anything.

The Fund may allow a borrower to prepay a commercial loan at any time without penalty. Borrower commercial loan prepayments will extinguish or limit the Fund’s ability to receive additional interest payments in connection with the corresponding commercial loan.

Borrower commercial loan prepayment occurs when a borrower decides to pay some or all of the principal amount on a commercial loan earlier than originally scheduled. In some cases, a borrower may be permitted to decide to prepay all or a portion of the remaining principal amount at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a commercial loan, the Fund will receive such prepayment, net of any applicable service fee, but further interest will not accrue after the date on which the payment is made. If a borrower prepays a portion of the remaining unpaid principal balance on a commercial loan, the outstanding principal amount will be reduced and interest will cease to accrue on the prepaid portion. As a result of the combination of the reduced principal amount and the unchanged monthly payment, the effective term of the commercial loan will be shortened. If a borrower prepays a commercial loan in full or in part, the Fund will not receive all of the interest payments that it originally expected to receive in connection with such commercial loan, and the Fund may not be able to find a similar rate of return on another investment at the time at which the commercial loan is prepaid.

Prevailing interest rates may change during the term of any commercial loan. If this occurs, the Fund may receive less value from its purchase or origination of any such commercial loan in comparison to other investment opportunities. Additionally, borrowers may prepay their commercial loans due to changes in interest rates, and the Fund may not be able to redeploy the amounts it receives from prepayments in a way that offers the Fund the return it expected to receive from the commercial loans.

The commercial loans will have varying terms ranging from months to years and may bear fixed, not floating, rates of interest. If prevailing interest rates increase, the interest rates on commercial loans purchased or originated by the Fund might be less than the rate of return the Fund could earn if it invested its purchase price for such commercial loans in other investments. While the Fund may still receive a return on its purchase price for the commercial loans through the receipt of amounts equal to the interest portion of a borrower’s payments on the commercial loan, if prevailing interest rates exceed the rate of interest payable on the commercial loan, the payments received by the Fund during the term of the commercial loan may not reflect the full opportunity cost to the Fund after taking into account factors such as the time value of money.

Certain commercial loans purchased or originated by or otherwise held by the Fund may not contain any prepayment penalty for borrowers who prepay their commercial loans. If prevailing interest rates on consumer loans decrease, borrowers may choose to prepay their commercial loans with money they borrow from other sources or other resources, and the Fund may not (i) receive the interest payments on such commercial loans that it expected to receive or (ii) be able to find an alternative use of its funds to realize a similar rate of return at the time at which the commercial loan is prepaid.

Limited Enforceability of Remedies

Generally, debt instruments which the Fund acquires will include debt-acceleration clauses, which permit the lender to accelerate the debt upon a default of the borrower. The courts of all states will enforce clauses providing for acceleration in the event of a material payment default after the giving of appropriate notices. The equity courts of any jurisdiction, however, may refuse to permit the foreclosure of a debt instrument when an acceleration of the indebtedness would be inequitable or unjust or the circumstances would render the acceleration unconscionable.

Usury Laws

Loans purchased or originated by the Fund may be subject to state usury laws. The General Partner intends to use reasonable efforts to cause the Fund to comply with any applicable usury laws. However, in some instances, the General Partner may not be aware that the usury laws of a state are applicable and/or the General Partner may not be successful in causing the Fund to comply with such laws. Failure of the Fund to comply with any applicable usury laws could result in the Fund incurring a significant loss with respect to the applicable loan.

No Internal Revenue Service Rulings

The Fund will not seek rulings from the IRS with respect to any of the federal income tax considerations discussed in this Memorandum. Thus, positions to be taken by the IRS as to tax consequences could differ from positions taken by the Fund.

Unrelated Business Taxable Income

Tax-exempt investors may have Unrelated Business Taxable Income (“UBTI”) (subject to tax at corporate rates) from investments that are acquired by the Fund. The Fund expects to utilize leverage to finance its investments (resulting in a portion of the Fund’s income from financed investments being treated as UBTI based generally on the percentage of its purchase price that is leveraged). UBTI would also result for a Limited Partner who borrowed (or is deemed to have borrowed) the funds used to make capital contributions to the Fund (or to acquire an Interest in the Fund from another Partner). The General Partner will not be liable for the recognition of any UBTI by an investor with respect to an investment in the Fund, and potential investors can expect some or all of their profits from the Fund to be UBTI. Each investor should consult with its own tax advisor regarding the federal, state, local and foreign tax considerations applicable to an investment in the Fund.

Investing in the Clients involves risk of loss that prospective investors should be prepared to bear. There can be no assurance that a Client’s objective will be achieved or that the investment strategies the Adviser employs will be successful. Investors must be prepared to lose all or substantially all of their investment. The past performance of the Adviser is not indicative of its future performance.

For a more complete description of the risks associated with investing with the Adviser, investors should refer to the relevant Offering Documents for each Client.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Principal is a LendingClub stockholder, and currently owns warrants in LendingClub representing less than 0.1% of LendingClub's aggregate issued and outstanding capital stock (if converted). The Adviser provides leverage to the Clients by extending credit on what it believes to be market terms. Other than this ownership and the relationship with LendingClub discussed in Item 8 above, the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.
- D. The Adviser does not receive any compensation for the recommendation of other investment advisers for its Clients.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

While the Adviser rarely has access to non-public information relating to public companies, as part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists.

- B. Affiliates of the Adviser serve as the General Partners to the Funds, which issue partnership interests to third party investors. In addition, with respect to certain securitizations of loans, an affiliate of the Adviser and/or one or more associated persons of the Adviser may take equity interests in the vehicle through which such loans are securitized. The Adviser provides leverage to the Clients through the extension of credit thereto. Other than with respect to these structures, neither the Adviser nor any of its related persons recommend to its Clients, or buy or sell for its Clients, investments in which the Adviser or any related persons have a material financial interest.
- C. Except with respect to the periodic receipt by the Adviser or its affiliates of warrants or equity securities at the same time as a related investment is made by the applicable investment fund, neither the Adviser nor any related person makes or receives investments for their own account at or about the same time that the Adviser or its related persons buys or sells the same investments for a Client. However, it is possible that the Adviser or its affiliates or related persons could decide to sell any such warrants or equity securities prior to or after the sale by the Client of such warrants or equity securities.
- D. See Item 11.C above.

Item 12 - Brokerage Practices

- A. The Adviser's investment strategy involves investing primarily in loans and does not involve the purchase or sale of publicly traded equity securities. As a result, the Adviser does not select or recommend broker-dealers for the purchase and sale of securities for its Clients.

The Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its Clients.

- B. Not applicable.

Item 13 - Review of Accounts

- A. Jonathan Barlow, the Adviser's Chief Investment Officer, and Steven Lee, the Adviser's Portfolio Manager, are responsible for reviewing Client investment portfolios. Mr. Barlow and Mr. Lee perform daily, weekly or monthly reviews of Client positions as they deem appropriate. Performance, certain investment positions, exposure levels, and investment opportunities are among some of the matters that may be reviewed.
- B. See Item 13.A. above.
- C. Annually, the Adviser assists each Fund in furnishing all investors with (i) audited written financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, and (ii) tax information necessary for the completion of tax returns. In addition, the Adviser assists (i) Fund I in distributing unaudited financial information to investors in the form of monthly newsletters which accompany the monthly account statements distributed by Fund I's administrator and (ii) Fund II in distributing quarterly unaudited financial information to investors and updates on the fund's activities. The Adviser will provide investors in a Separate Account with such reports that are required by such Separate Account's Offering Documents.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. The Adviser may enter into agreements with persons who refer potential investors for Clients to the Adviser. For their referral services, these persons may receive compensation from the Adviser in the form of a percentage of the Management Fee and/or performance-based fee or allocation that the Adviser and its affiliates receive from the Clients with respect to the referred investors. All such arrangements will be in accordance with Rule 206(4)-3 under the Advisers Act.

Item 15 - Custody

The Adviser may be deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Funds by virtue of its control of the General Partner of each Fund. All assets and securities of the Funds are held by qualified custodians or by the Funds pursuant to an exemption from the requirement for a qualified custodian. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

The Adviser does not have nor is it deemed to have custody of the assets and securities of the Separate Accounts or any subsidiary trusts of the Funds.

Item 16 - Investment Discretion

The Adviser exercises discretion in managing the investments of each Client, based on the Client's particular investment objectives, policies and strategies disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority over the assets of each Fund under an investment management agreement entered into among the Adviser, the Fund and the Fund's General Partner or other controlling entity.

The Adviser contractually assumes discretionary authority with each Separate Account under an investment management agreement with the Separate Account.

The Adviser may from time to time package loans held by an investment fund in a special purpose vehicle for purposes of securitizing participating loan interests in such vehicle, and may receive management fees for managing such vehicle directly therefrom.

Item 17 - Voting Client Securities

The Adviser's investment strategy involves investing in consumer loans, small business loans and related assets, including with respect to Fund II warrants and other equity securities. Although Fund II is permitted to invest in equities in limited circumstances, currently, the Adviser does not invest Client assets in public equity securities and therefore does not receive proxies on behalf of its Clients.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.